

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF POLICY**

**FOR
POLICY ADMINISTRATION**

February 20, 2001

This Policy is effective immediately upon adoption.

I. PURPOSE

This document sets forth the policy for amending, creating, or deleting policies designed by and for the California Public Employees' Retirement System (CalPERS or System).

II. OBJECTIVE

The CalPERS Board, Investment Committee, and Staff shall take prudent and careful action while maintaining, creating, amending, or removing the System's Investment Policies, Delegations of Authority, Resolutions, or other Policies entrusted to them by the System's beneficiaries. Persons charged with the responsibility for amending, adding, or deleting the System's policies shall use this document as the procedural guide for the policy process, from conception to adoption.

Any amendments to, creations of, or deletions of CalPERS' Policies shall conform to federal and state laws and statutes, which govern the state of California and its elected officials serving on the Board. Additions or alterations to any of the System's Policies shall face a rigorous and methodical process. The details of the process are outlined in the Responsibilities and Delegations and the Approaches and Parameters of this document.

III. RESPONSIBILITIES AND DELEGATIONS

- A.** The **CalPERS Board** ("the Board") is responsible for establishing, communicating, and monitoring Board policies and priorities. Consistent with its fiduciary role as Trustee of the Fund, the Board's principal role is to ensure that CalPERS appropriately governs and manages funds entrusted to them. A component of this role is adopting and monitoring policies (*Statement of Governance Principles* I.A and I.F.2).

The Board responsibilities include, but are not limited to, the following duties concerning the Policy Administration:

1. Approving recommendations made by the Staff through the Investment Committee.
2. Adopting policies on behalf of the System.

B. The **CalPERS Investment Committee** (“the Investment Committee”), through *Delegation of Authority 89-01* is responsible for developing and adopting “policies with respect to the appropriate asset allocation targets and ranges, and risk-adjusted rates of return, for the various funds under the Board’s administration.” The Investment Committee is comprised of the entire membership of the Board (*ibid.*). Furthermore, the Investment Committee is responsible for approving and amending System policies.

The Investment Committee responsibilities include, but are not limited to, the following duties concerning the Policy Administration:

1. Review policy recommendations made by the Staff.
2. Recommend to the Board policy approval when the Investment Committee concurs that policies address all aspects necessitating their existence in achieving the strategic direction of the System.

C. The **CalPERS Investment Staff** (“the Investment Staff”), under the auspices of *Delegation Resolution No. 95-102*, the Investment Committee and Board delegates the Staff the responsibility of developing, for the Committee’s consideration and approval, policies that achieve the strategic direction of the System.

The Investment Staff duties in the area of the Policy Administration include, but are not limited to, the following responsibilities:

1. Retain physical custody of the System’s policies.
2. Investigating and researching the need for policy changes, additions, amendments, or deletions.
3. Recommending the following actions to the Investment Committee:
 - a. New policy development
 - b. Policy revisions or amendments
 - c. Policy elimination
 - d. Any other aspect that the Staff considers pertinent regarding policy development that is in the interests of the System.
4. Developing and recommending policies for presentation to the

Investment Committee.

5. Developing and maintaining a procedures manual, subject to quarterly reviews and updates, outlining Staff operational procedures used in implementing this Policy.
6. Implementing and adhering to policies.
7. Reporting to the Investment Committee concerning this Policy implementation and compliance. The Staff shall make quarterly reports to the Investment Committee concerning the policy process. The Staff shall report concerns, problems, material changes, and all policy violations immediately and in writing to the Investment Committee. Reports made by the Staff to the Investment Committee shall include an explanation of the violation(s) and appropriate recommendation(s) for corrective action.

IV. APPROACHES AND PARAMETERS

A. Approaches

1. The Staff shall review all documents containing the signature of the Chief Executive Officer or Chief Investment Officer whenever the people appointed to those perspective roles resigns or the Board removes them from the position. Signed documents include the Delegations of Authority and the Resolutions.
2. The Staff shall ensure that new Delegations of Authority and Resolutions are prepared, which shall bear the signature of the new person(s) appointed to the position of Chief Executive Officer or Chief Investment Officer. The Staff shall maintain custody of the newly signed documents and make them available for review any time the Investment Committee or Board requests them.
3. Whenever the Investment Committee or Board deems that changes to the System's Strategic Objective(s) of individual investment policies are necessary and appropriate for fulfilling their fiduciary responsibilities or furthering the investment aims of CalPERS, the Staff shall review each policy pertaining to the particular investment and change the policy language so it corresponds with the Board's directives.
4. All recommendations for new policy development shall adhere to the following change process:

- a. Written draft policy forwarded to the Staff as an agenda item for the next Investment Committee meeting.
- b. Any department expressing the desire for creating a new policy or make changes to an existing policy shall forward all recommendations through the Staff. The Staff shall pass the information on to the Investment Committee for their review and approval.
- c. The Staff shall receive all requests for creating new policies or making changes to existing ones no less than 30 days before the next Investment Committee meeting.
- d. Before the Staff forwards any recommendation to the Investment Committee, the CalPERS Legal Department shall review the proposal for determining if any conflict or interest or potential legal ramifications against the System exist.
- e. Once the Investment Committee recommends approval, the Staff shall make certain that the Board receives the recommended policy or change for their adoption.
- f. The Staff shall ensure that the person(s) responsible for preparing the Board agenda receives recommended policy or change within 30 days of the succeeding meeting.

B. Parameters

- 1. The Staff is responsible for ensuring that all parties involved in any policy change, creation, or elimination adheres to the above mentioned control process.
- 2. The Staff shall operate at all times under the *Delegation of Authority 89-01* and *Delegation Resolution 95-102*.